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UNITED STATES OF AMERICA

NATIONAL LABOR RELATIONS BOARD

REGION 31

SERVICE EMPLOYEES INTERNATIONAL UNION, UNITED LONG TERM CARE WORKERS, Charging Party, and MONTECITO HEIGHTS HEALTHCARE , Respondent.	No. 31-CA-129747 **CHARGING PARTY'S ANSWER BRIEF TO RESPONDENT'S EXCEPTIONS TO THE DECISION OF THE ADMINISTRATIVE LAW JUDGE**

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I. INTRODUCTION

Most of the arguments made by Montecito Heights were addressed in the cross-Exceptions filed by the Charging Party. We restate those points here by copying the appropriate portions of our brief in support of our cross-exceptions. Additionally we address at the conclusion of the brief, other issues raised by the employer in its exceptions.

II. THE FUAP IS GOVERNED BY THE BOARD'S DECISION IN *MURPHY OIL*

The Board's decision in *Murphy Oil USA, Inc*., 361 NLRB No. 72 (2014), enforcement denied in relevant part, 808 F.3d 1013 (5th Cir. 2013), governs. See many more recent cases such as *Century Fast Foods, Inc*., 363 NLRB No. 97 (2016), and *AT&T Mobility Servs., LLC*, 363 NLRB No. 99 (2016). See also *Lewis v. Epic Systems Corp.*, 823 F.3d 1147 (7th Cir. 2016). For reasons discussed below, however, there are additional and related reasons why the FUAP is unlawful. We address those issues below. We particularly address the application of the Federal Arbitration Act and the Religious Freedom Restoration Act. All of the issues arise from the allegations of the Complaint and the Answer. We continue in our assertion that this should be called a forced unilateral arbitration procedure.

III. THE FAA DOES NOT APPLY SINCE THERE IS NO CONTRACT OF EMPLOYMENT

The FAA applies only where there is "a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract." 9 U.S.C. § 2. Under the FAA, there must be some other "contract involving commerce."

The Supreme Court's seminal decision applying the FAA is expressly conditioned upon the existence of an employment contract:

> Respondent, at the outset, contends that we need not address the meaning of the § 1 exclusion provision to decide the case in his favor. In his view, an employment contract is not a "contract evidencing a transaction involving interstate commerce" at all, since the word "transaction" in § 2 extends only to commercial contracts. See *Craft*, 177 F.3d, at 1085 (concluding that § 2 covers only "commercial deal[s] or merchant's sale [s]"). This line of reasoning proves too much, for it would make the § 1 exclusion provision superfluous. If all contracts of employment are beyond the scope of the Act under the § 2 coverage provision, the separate exemption for "contracts of employment of seamen, railroad

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> employees, or any other class of workers engaged in ... interstate commerce" would be pointless. See, e.g., *Pennsylvania Dept. of Public Welfare v. Davenport*, 495 U.S. 552, 562, 110 S.Ct. 2126, 109 L.Ed.2d 588 (1990) ("Our cases express a deep reluctance to interpret a statutory provision so as to render superfluous other provisions in the same enactment"). The proffered interpretation of "evidencing a transaction involving commerce," furthermore, would be inconsistent with *Gilmer v. Interstate/Johnson Lane Corp.*, 500 U.S. 20, 111 S.Ct. 1647, 114 L.Ed.2d 26 (1991), where we held that § 2 required the arbitration of an age discrimination claim based on an agreement in a securities registration application, a dispute that did not arise from a "commercial deal or merchant's sale." Nor could respondent's construction of § 2 be reconciled with the expansive reading of those words adopted in *Allied–Bruce*, 513 U.S., at 277, 279–280, 115 S.Ct. 834. If, then, there is an argument to be made that arbitration agreements in employment contracts are not covered by the Act, it must be premised on the language of the § 1 exclusion provision itself.

Circuit City Stores, Inc. v. Adams, 532 U.S. 105, 113-14 (2001); See also *Buckeye Check Cashing, Inc. v. Cardegna*, 546 U.S. 440, 445 (2006) (an arbitration provision is severable from the remainder of the contract). See also *Allied-Bruce Terminix Cos., Inc. v. Dobson*, 513 U.S. 265, 277 (1995) (finding "a contract evidencing a transaction involving commerce" as a prerequisite to the application of the FAA).

There is no contract. The FUAP creates no contract. The Respondent has offered no evidence that it creates any contract of employment with any employee.

Assuming that the FUAP standing alone is a contract, that contract of employment does not affect commerce. See *infra*. The FAA applies to "a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction." There is no transaction here affecting commerce by the FUAP, assuming it is the only contract. There is no evidence in the record of how such contract can affect commerce.

The FAA does not apply absent proof of a contract. Respondent has failed to establish the existence of a contract.

Below, we show there is no transaction and no controversy. The reason, of course, is that no employee has presented a claim or transaction since the FUAP prevents the vindication of any right, and the employees have been thoroughly intimidated so that they have not exercised their

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Section 7 rights under the FUAP. Similarly, when an employer maintains an invalid "no solicitation" rule, there is no solicitation that the Act protects because employees are afraid of losing their jobs if they violate company rules.

Below, we address the question of whether the FAA can apply to activity that does not affect commerce. The Board must address this issue. *Ex parte McCardle*, 74 U.S. 506, 514 (1868), and *Steel Co. v. Citizens for a Better Environment*, 523 U.S. 83, 101-102 (1998).

IV. THE BOARD MUST USE THIS CASE TO ADDRESS THE CONSTITUTIONAL ISSUE OF WHETHER THE FAA CAN BE APPLIED TO ACTIVITY WHICH DOES NOT AFFECT COMMERCE

A. INTRODUCTION

The Board has never addressed the question of whether the FAA applies to an arbitration procedure without constitutional concerns raised by the Commerce Clause. Nor has the Board addressed the issue of whether the FAA applies to most employment controversies. We address those issues below.

B. THE FAA DOES NOT APPLY

The provision of the FAA at issue is Section 2, 9 U.S.C. § 2: "A written provision in any maritime transaction or a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction … shall be valid, irrevocable, and enforceable … ."

First, assuming there was a contract evidencing a transaction, there is no showing that such a contract affects commerce. Second, assuming an employment dispute (controversy) is an activity, there is no showing that such future controversy affects commerce. Third, there is no showing that the dispute resolution activity of arbitration affects commerce. Here, Montecito cannot establish any constitutional or statutory basis to apply the FAA to override the NLRA

There is no inconsistency in the regulation of activity encompassed within the NLRA and finding a lack of commerce activity regulated by the FAA. The NLRA regulates the employer and its effect on commerce; the activity regulated is activity of employees and employers and labor organizations. See *NLRB v. Jones & Laughlin Steel Corp*., 301 U.S. 1 (1937), and *NLRB v.*

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Reliance Fuel Corp., 371 U.S. 224 (1963). In contrast, the FAA regulates only a targeted activity: a controversy to be settled by arbitration. The FAA does not purport to apply to employees, unions or employers and their "concerted activities for … mutual aid or protection." 29 U.S.C § 157. It does not regulate the effect on commerce of the employer's activity. Thus, there is no inconsistency. Here, the Commerce Clause issue is squarely placed. The commerce finding by the Board was only a legal conclusion that Montecito as an employer was engaged in commerce based on its gross revenues. That allegation is a minimal commerce allegation. There is no allegation that such revenues had anything to do with any employment dispute. With that bare commerce finding, we proceed to analyze whether the FAA can apply.

This Board must address this constitutional issue, which the Board has avoided, where Montecito has relied on the FAA for its core argument. Either the FAA applies or it doesn't.

C. THE FAA DOES NOT APPLY SINCE THERE IS NO CONTRACT EVIDENCING A TRANSACTION INVOLVING INTERSTATE COMMERCE

By its own terms, the FAA applies only to arbitration provisions that appear in a "contract evidencing a transaction involving commerce" (9 U.S.C. § 2), where commerce is defined as "commerce among the several States or with foreign nations" (9 U.S.C. § 1).

There is no contract in the record other than the arbitration agreement. Montecito provided no evidence of any contract of employment other than the FUAP.

By its terms, the arbitration procedure is a contract limited to only dispute resolution. Thus, there is no contract evidencing a transaction other than the arbitration procedure. The FAA cannot be applied.

Assuming, however, that the employment relationship is deemed a contract which would be a matter of state law, Montecito must show that such transaction affects commerce.

The Supreme Court has held that, under this language, "the transaction (that the contract 'evidences') must turn out, in fact, to have involved interstate commerce." Allie*d-Bruce Terminix Cos. v. Dobson*, 513 U.S. 265, 277 (1995).

Thus, the FAA cannot be applied unless there is proof that the contract containing the arbitration provision evidences a transaction that affects interstate commerce. *Garrison v.*

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Palmas Del Mar Homeowners Ass'n, 538 F.Supp.2d 468, 473 (D.P.R. 2008) ("[T]he FAA … only applies when the parties allege and prove that the transaction at issue involved interstate commerce.") (citing Medina Betancourt et al. v. La Cruz Azul, 155 D.P.R. 735, 742–43 (2001)); *Shearson Hayden Stone, Inc. v. Liang*, 493 F.Supp. 104, 106 (N.D. Ill. 1980), aff'd, 653 F.2d 310 (7th Cir. 1981) ("Interstate commerce is a necessary basis for application of the [FAA].").

In *Bernhardt v. Polygraphic Co. of America*, 350 U.S. 198 (1956), the Supreme Court found that the FAA did not apply to an employment contract between *Polygraphic Co*., an employer engaged in interstate commerce, and Norman Bernhardt, the superintendent of the company's lithograph plant in Vermont. The Court found that the contract did not "evidence 'a transaction involving commerce' within the meaning of section 2 of the Act" because there was "no showing that petitioner while performing his duties under the employment contract was working 'in' commerce, was producing goods for commerce, or was engaging in activity that affected commerce." Bernhardt, 350 U.S. at 200–01.

Similarly, in *Slaughter v. Stewart Enterprises, Inc.*, No. C 07-01157MHP, 2007 WL 2255221 (N.D.Cal. Aug. 3, 2007), the court found that an "employment contract [did] not involve interstate commerce as required by the [FAA]" where an employee "was employed at a single location," "[h]is employment did not require interstate travel," and "his activities while employed with defendants as well as the events at issue in the underlying suit were confined to California." Id. at *3. See also *Ambulance Billing Sys. v. Gemini Ambulance Servs., Inc.*, 103 S.W.3d 507 (Tex.App. 2003) (holding FAA not applicable where services performed were confined to Texas).

There is no evidence that the employment transaction between the parties here involves interstate commerce. Employees who perform work in only one state are not engaged in activity that affects interstate commerce. Here, the ALJ''s jurisdictional finding is devoid of facts. It is simply that "Respondent has been an employer engaged in commerce within the meaning of Section 2(2), (6) and (7) of the Act." There is no other evidence of interstate commerce. Montecito maintains one facility and disputes that arise between any of its employees and Montecito may be simple, local disputes governed only by state law, like one missed meal period

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or rest break. Cal. Lab. Code § 227.3. Some disputes might not even be economic, but simply claims seeking to resolve personality issues or shift assignments or workplace duties between employees. Whether this kind of local dispute is submitted to individual or group arbitration in its final stages will not make any difference for interstate commerce. Yet the arbitration procedure purports to govern all activity, no matter how trivial or local. Such a private arbitration agreement with an individual who does not perform work across state lines, does not transport goods across state lines, and is not seeking to enforce anything other than state law is not a contract evidencing a transaction involving interstate commerce.

The character of Montecito's business does not alter this conclusion. The relevant question here is whether the transaction between the parties has an effect on interstate commerce. The fact that one of the parties to the transaction is independently involved in interstate commerce for other purposes does not bring every contract that party enters, no matter how trivial or local, within the reach of the FAA. Even though *Polygraphic Co*. was an employer that engaged in interstate commerce and operated lithograph plants in multiple states, the Supreme Court still determined that the arbitration agreement in the employment contract between *Polygraphic Co*. and Bernhardt did not involve interstate commerce. *Bernhardt*, 350 U.S. at 200–01. Even though Montecito is engaged in a business that may impact interstate commerce, an arbitration agreement between Montecito and an individual employee who does not perform work across state lines is still an agreement about how to resolve generally local disputes that does not involve interstate commerce. As the court observed in Slaughter, "[t]he existence of national companies … does not undermine the conclusion that the activity is confined to local markets. Techniques of modern finance may result in conglomerations of businesses …. [but] the reaches of the Commerce Clause are not defined by the accidents of ownership." Slaughter, 2007 WL 2255221, at *7.

Similarly, even if Montecito operates in commerce, it does not transform the local nature of the employment relationship since those retail activities are not part of the arbitration agreement but are merely incidental to employment transaction. They are not subject to the

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arbitration procedure. See *Bruner v. Timberlane Manor Ltd. P'ship*, 155 P.3d 16, 31 (Okla. 2006) ("The facts that the nursing home buys supplies from out-of-state vendors … are insufficient to impress interstate commerce regulation upon the admission contract for residential care between the Oklahoma nursing home and the Oklahoma resident patient."); *Saneii v. Robards*, 289 F.Supp.2d 855, 858–59 (W.D. Ky. 2003) (finding the sale of residential real estate to an out-of-state purchaser had "no substantial or direct connection to interstate commerce," since any movements across state lines were "not part of the transaction itself" but merely "incidental to the real estate transaction"); *City of Cut Bank v. Tom Patrick Constr., Inc*., 963 P.2d 1283, 1287 (Mont. 1998) (concluding that construction contract was a local transaction, not involving interstate commerce, despite purchase of insurance and materials from out-of-state).

Citizens Bank v. Alafabco, Inc., 539 U.S. 52 (2003), does not change the analysis. In that case, the Supreme Court held that the FAA could be applied in cases where there was no showing that the individual transaction had a specific effect upon interstate commerce, so long as "in the aggregate the economic activity in question would represent 'a general practice … subject to federal control'" and "that general practice need bear on interstate commerce in a substantial way." Id. at 56–57 (citations omitted). Under this standard, the Court found that the application of the FAA to certain debt-restructuring contracts was justified given the "broad impact of commercial lending on the national economy" and the facts that the restructured debt was secured by inventory assembled from out-of-state parts and that it was used to engage in interstate business. Id. at 57–58. As other courts have observed, the logic used by the Alafabco court to justify the application of the FAA to a large financial transaction between a bank and a multistate manufacturer is not readily applicable to a private arbitration agreement covering claims that a local employment contract has been breached. *Slaughter*, 2007 WL 2255221, at *4 (distinguishing the "debt-restructuring contracts involving a manufacturer" at issue in Alafabco from a contract "for service type employment that occurred solely within the state"); see also *Bridas Sociedad Anonima Petrolera Indus. y Commercial v. Int'l Standard Elec. Corp*., 490 N.Y.S.2d 711, 716 n.3 (Sup.Ct. 1985) (contrasting "an agreement based upon a multimillion

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dollar transfer of stock between an American and Argentine corporation" and the simple allegation of breach of an employment contract at issue in Bernhardt). Private arbitration agreements with employees who do not perform work across state lines, do not transport goods across state lines, and are not seeking to enforce anything other than state law are not contracts that involve interstate commerce in the way major debt-restructuring contracts did in Alafabco.

The FAA cannot be stretched so far as to apply to any employment controversy between an individual and her employer just because the employer is, for other purposes, engaged in interstate commerce. Such a reading of the FAA would contravene Bernhardt and raise serious constitutional concerns. Moreover, it would render meaningless the language in the statute limiting it to "a contract evidencing a transaction involving commerce to settle by arbitration a controversy … ." 9 U.S.C. § 2.

D. THIS CASE IS BEYOND THE CONSTITUTIONAL REACH OF THE FAA SINCE THERE IS NO SHOWING THAT THE ACTIVITY OF RESOLVING THOSE CONTROVERSIES THROUGH ARBITRATION AFFECTS INTERSTATE COMMERCE

Under the Commerce Clause, Congress may only regulate "'the channels of interstate commerce,' 'persons or things in interstate commerce,' and 'those activities that substantially affect interstate commerce.'" *Nat'l Fed'n of Indep. Bus. v. Sebelius*, 132 S.Ct. 2566, 2578 (2012) (quoting *United States v. Morrison*, 529 U.S. 598, 609 (2000)). Because the FAA was enacted pursuant to the Commerce Clause (*Perry v. Thomas*, 482 U.S. 483, 490 (1987)), it cannot constitutionally be applied here unless the regulated activity has this connection to interstate commerce.

The fact that the employer in this case is independently engaged in interstate commerce for other purposes cannot supply the necessary connection to commerce, because the FAA is not a regulation of Montecito or Montecito's business. In *Sebelius*, the Supreme Court made it clear that Congress may only use its authority under the Commerce Clause "to regulate 'class[es] of *activities*,' … not classes of *individuals*, apart from any activity in which they are engaged." *Sebelius*, 132 S.Ct. at 2590 (first alteration in original) (citation omitted). Thus, in determining whether a regulation is permissible under the Commerce Clause, the court must not look at the

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class of individuals affected by the law, but at the actual activities that are being targeted by the law. Following this analysis, the Court ruled that the individual mandate could not be characterized as a regulation of individuals who would eventually consume healthcare, because that is just a class of individuals and not the actual activity regulated by the ACA. *Id*. at 2590–91. Similarly here, the FAA cannot be characterized as a regulation of employers engaged in interstate commerce, because that is just a class of corporate individuals and not the actual activity regulated by the FAA.

The actual activity regulated by the FAA is the resolution of disputes between private parties. The FAA does not seek to regulate how the employer conducts its business or carries out its commercial activities. The FAA does not purport to regulate any activity other than the narrow aspect of dispute resolution in arbitration. This is the actual activity Congress sought to regulate in the FAA, and such a law passed pursuant to the Commerce Clause cannot be constitutionally applied to the dispute resolution activity here unless this activity is connected to interstate commerce. *See Sebelius*, 132 S.Ct. at 2578.

The activity of resolving disputes between private individuals is not a "channel[] of interstate commerce," it is not a "person[] or thing[] in interstate commerce," and whether the disputes covered by the arbitration procedure here are resolved in individual or group arbitration does not "substantially affect interstate commerce." *Sebelius*, 132 S.Ct. at 2578 (quoting *Morrison*, 529 U.S. at 609). Many of the disputes covered by the arbitration procedure do not implicate interstate commerce or have any substantial effect on interstate commerce. The arbitration procedure is drafted in a way that would extend to any employment dispute. It could encompass a claim for one hour's pay, one missed meal period or rest break, or any other claim that has no impact whatsoever on interstate commerce. It would encompass a claim that was not economic at all, but just an effort to resolve personality issues or shift assignments or workplace duties. If two employees had a "conflict" that was not economic and asked for joint collective arbitration, that dispute would not have any impact on interstate commerce. All non-economic disputes that would have no impact on commerce are covered. Such local disputes governed by

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state contract law or state labor law lack any substantial connection to interstate commerce. If the dispute does not affect interstate commerce, regulation of the resolution of the dispute is not within the scope of the Commerce Clause, and the FAA cannot constitutionally apply. Whether a dispute between Montecito and any of its employees is ultimately resolved in individual or group arbitration does not have an impact on any issue of interstate commerce. Because the employer has not shown that the disputes covered by the arbitration procedure would affect interstate commerce or that the activity of resolving those disputes in individual or group arbitration would affect interstate commerce, the FAA cannot constitutionally be applied here.

Even though the FAA cannot constitutionally target the dispute resolution activity here, the NLRA can constitutionally regulate labor dispute resolution activity between employers and their employees. This is not anomalous. The NLRA was passed pursuant to explicit Congressional findings that "[t]he inequality of bargaining power between employees who do not possess full freedom of association or actual liberty of contract, and employers who are organized in the corporate or other forms of ownership association substantially burdens and affects the flow of commerce … ." 29 U.S.C. § 151. The Supreme Court has explained that Section 7 of the NLRA embodies the effort of Congress to remedy this problem. *NLRB v. City Disposal Sys., Inc*., 465 U.S. 822, 835 (1984) ("[I]t is evident that, in enacting § 7 of the NLRA, Congress sought generally to equalize the bargaining power of the employee with that of his employer by allowing employees to band together in confronting an employer regarding the terms and conditions of their employment."). The NLRA can thus reach dispute resolution as a necessary part of its regulation of the employment relationship, designed to address the inequality in bargaining power that burdens interstate commerce. *See NLRB v. Jones & Laughlin Steel Corp*., 301 U.S. at 37 (1937) (recognizing that regulation of local, intrastate activity is permissible as a necessary part of a larger regulatory scheme). Unlike the NLRA, the FAA is not a larger regulation of employment and does not seek to change the fundamental ways employers and workers relate to each other in order to confront the labor strife that impedes interstate commerce.

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It seeks to regulate the private dispute resolution activity of individuals apart from its content or context, and this is impermissible.

Congress may not focus on the intrastate dispute resolution activities of private individuals apart from a larger regulation of economic activity. *See United States v. Lopez*, 514 U.S. 549, 558 (1995) ("'[T]he Court [has not] declared that Congress may use a relatively trivial impact on commerce as an excuse for broad general regulation of state or private activities.' Rather, 'the Court has said only that where *a general regulatory statute bears a substantial relation to commerce*, the *de minimis* character of individual instances arising under that statute is of no consequence.'" (first alteration in original) (citation omitted) (quoting *Maryland v. Wirtz*, 392 U.S. 183, 197 n.27 (1968)). The Supreme Court has said that regulation of intrastate activity is permissible where it is one of the "essential part[s] of a larger regulation of economic activity" and the "regulatory scheme could be undercut unless the intrastate activity were regulated." *Lopez*, 514 U.S. at 561. The relevant statutory regime here is the FAA. By its terms, the FAA addresses only individual transactions. 9 U.S.C. § 2 (applying the terms of the act to "[a] written provision in any maritime transaction or a contract evidencing a transaction involving commerce"). Therefore, the regulatory scheme does not encompass wide sectors of economic activity in a general fashion but rather applies to individual transactions or contracts. Regulation of a local dispute that does not itself have any effect on interstate commerce is not a necessary part of the regulatory scheme. Similarly, failure to enforce arbitration provisions in purely intrastate contracts would not subvert the entire statutory scheme in the same way as the failure to regulate purely intrastate marijuana production would undercut regulation of interstate marijuana trafficking. *Gonzales v. Raich*, 545 U.S. 1, 26 (2005). Because regulation of the intrastate activity here is "not an essential part of a larger regulation of economic activity, in which the regulatory scheme could be undercut unless the intrastate activity were regulated," it "cannot … be sustained under our cases upholding regulations of activities that arise out of or are connected with a commercial transaction, which viewed in the aggregate, substantially affects interstate commerce." *Lopez*, 514 U.S. at 561. As a result, there are no constitutional grounds for

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applying the FAA to intrastate dispute resolution activity that bears only a trivial effect or no effect on interstate commerce. *Bernhardt*, 350 U.S. 198.

E. THERE IS NO CONTROVERSY ACTUAL OR POTENTIAL THAT AFFECTS COMMERCE

Finally there is no evidence any potential controversies affect commerce. No evidence was offered as to the impact of any potential claims upon commerce. As to the maintenance of the arbitration procedure, it applies "to all disputes relating to my employment.." , This would include disputes over schedules, work assignments, vacation schedules, training, abuse or harassment by supervisors, missing pay, or any insignificant dispute which would have no impact whatsoever on commerce.

The FAA applies to "a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transaction … ." 9 U.S.C. § 2. No employee has asserted any claim. No other employee has asserted any claim because the arbitration procedure is not an effective means of resolving individual claims. The FAA is only triggered by its terms when there is a "controversy." None exists here. The absence of any such claim proves the chilling effect of the arbitration procedure. No claim exists precisely because the arbitration procedure is illegal. Like any unlawful employer maintained rule, the rule effectively chills employees' rights and thus serves its intended purpose. Until a concrete controversy that demonstrably affects commerce develops, the FAA cannot be applied.

F. SUMMARY

In summary, the National Labor Relations Act may regulate the activities of this employer because of the impact on commerce. No one disputes that. The Federal Arbitration Act, however, regulates the specific activity of dispute resolution in the form of arbitration, and that activity does not affect commerce within the Commerce Clause. Alternatively, the FAA regulates only employment disputes that affect commerce. Further, there is no contract subject to the FAA nor is there any controversy subject to the FAA.

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The Board must address this constitutional issue. It cannot do so by applying the doctrine of constitutional avoidance. Here, Montecito will rely for its core argument on the FAA. Either it applies or it doesn't. The Board cannot duck and weave and avoid.[1]

V. THE APPLICATION OF THE FEDERAL ARBITRATION ACT CANNOT OVERRIDE THE IMPORTANT PURPOSES OF OTHER FEDERAL STATUTES THAT ALLOW EMPLOYEES TO SEEK RELIEF FROM THE FEDERAL GOVERNMENT FOR THE BENEFIT OF THEMSELVES AND OTHER WORKERS

The Board must address directly the question of whether the Federal Arbitration Act may trump the application of the National Labor Relations Act as to other federal statutes that allow whistle-blowing or independent administrative remedies. As the Board correctly found in Murphy Oil USA, Inc., supra, there are important purposes underpinning Section 7 that are not addressed by the Federal Arbitration Act. That equally applies to claims that employees can make under other federal statutes regarding workplace issues. Here, we point out that the FUAP provision effectively undermines those other federal statutes. Thus, the restriction found in the FUAP, that any the worker may only have "my individual claims" heard, would interfere with other federal statutory schemes, which envision and, in some cases, require remedies that will affect a group. The Board has been admonished by the Supreme Court in *Hoffman Plastic Compounds v. NLRB*, 535 U.S. 137 (2002), that it must respect other federal enactments. Here, the Board should recognize that there are many federal statutes that allow group, collective or class claims or even individual claims that affect a group. The FAA cannot be used to defeat the purposes of those statutes.

Employees have the right to bring to various federal agencies all kinds of issues that affect them and other workers. Under these statutes, they have the right to seek relief from those agencies for their own benefit as well as for the benefit of other workers or employees of the employer. Those remedies can involve government investigations, injunctive relief, and federal court actions by those agencies, and debarment from federal contracts, workplace monitoring and many other remedies that would be collective and concerted in nature.

[1] See *Hobby Lobby*, *supra*, 363 NLRB No 195.

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In effect, the FUAP would prohibit an employee from invoking on his/her behalf, as well as on behalf of other employees, protections of these various federal statutes. It would prohibit the agency or the court from remedying violations of the law that the agency or court would be empowered, if not required, to remedy.

The Congressional Research Service has identified forty different federal laws that contain anti-retaliation and whistleblower protection. See Jon O. Shimabukuro, et al., Cong. Research Serv. Report No. R43045, Survey of Federal Whistleblower and Anti-Retaliation Laws (April 22, 2013), available at http://fas.org/sgp/crs/misc/R43045.pdf. These are all laws that relate directly to workplace issues. Nothing in the Federal Arbitration Act preempts the application of other federal laws. Some examples are mentioned below.

The Federal Fair Labor Standards Act, 29 U.S.C. § 201, et seq., allows for the District Courts to grant injunctive relief to "restrain violations of [the Act]." See 29 U.S.C. § 217. The application of the FUAP would prevent an individual or a group of individuals from seeking injunctive relief that would apply to all employees or apply in the future to themselves and other employees. It would undermine the purposes behind the FLSA to allow for such injunctive relief.

The same is true with respect to ERISA, 29 U.S.C. § 1001, et seq. The FUAP would prohibit an employee from going to court with respect to a claim involving a benefit covered by ERISA, even though the statute expressly allows for equitable relief. 29 U.S.C. § 1132(a)(1) and (3). And as noted below, by extending this expressly to "its employee benefit and health plans," the FUAP violates ERISA.

The FUAP would prevent employees from bringing a complaint to OSHA seeking investigation and correction of worksite problems affecting all employees where action after the investigation would be necessary.

The FUAP would prevent an employee from filing an EEOC charge that could lead to EEOC court action seeking systemic or class wide relief. It would prevent the employees from participating in systemic charge investigations. 42 U.S.C. Section 2000e-8(a). Commissioners

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may file EEOC charges on their own (42 U.S.C. Section 2000e-5(b)), which the FUAP would prohibit.

The FUAP would prevent employees from bringing unlawful immigration practices to the attention of the Office of Special Counsel. (http://www.justice.gov/crt/about/osc/.)

It would prohibit anonymous actions, which are permitted under some circumstances. *Does I Thru XXIII v. Advanced Textile Corp.*, 214 F.3d 1058, 1068 (9th Cir.2000).

The FUAP would prohibit actions under the federal False Claims Act. (http://www.justice.gov/sites/default/files/civil/legacy/2011/04/22/C-FRAUDS_FCA_Primer.pdf.) An employee could not, for example, claim that on a federal Davis-Bacon project, the employer made false claims for payment while not paying the prevailing wage. An employee could not claim, along with others, that the employer is overcharging on a government contract. See *United States v. Circle C Constr.*, 697 F.3d 345 (6th Cir. 2012). This kind of litigation serves an important public purpose but would be foreclosed by the FUAP. This kind of claim is necessarily brought as a group action, since the relief sought includes a remedy for the underpayment of a group of workers.

The FUAP allows the filing of individual claims with certain agencies but does not allow group claims with those agencies.

The FUAP would prohibit an employee from bringing a claim to the Department of Labor that the employer violates the provisions of the Fair Labor Standards Act regarding employment of minors unless the individual were herself an under-aged minor.

The FUAP, by its terms, undermines the enforcement of these federal statutes, which envision private efforts to enforce their purposes for all employees and for the public interest.

There is no escaping the conclusion that there are a multitude of federal laws that govern the workplace. The FUAP prohibits an employee acting collectively or to benefit others from seeking assistance before those agencies and in court to effectuate the purposes of those statutes. The FUAP would prohibit the employee from doing so for the benefit of employees acting collectively. The purposes of those statutes would include not only individual relief for the

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employee himself or herself, but also relief that would protect the public interest in enforcement of those statutes.

For these reasons, the FUAP itself is invalid, not only because it would prohibit an employee from seeking concerted relief with respect to other federal statutes, but also because it would prohibit the employee from seeking relief that would benefit other employees. The FAA cannot serve to interfere with the enforcement of other federal statutes. As we show, this conflict is particularly heightened with the RFRA, which expressly overrides other federal statutes. The Board should expressly rule that the application of the FAA interferes with important policies under other federal statutes.

VI. THE FUAP WOULD PROHIBIT COLLECTIVE ACTIONS THAT ARE NOT PREEMPTED BY FAA UNDER STATE LAW

This issue arises because the FUAP applies in California. The California Supreme Court has ruled that an arbitration agreement cannot foreclose application of the Private Attorney General Act, Labor Code § 2699 and 2699.3. See *Iskanian v. C.L.S. Transp.*, 59 Cal.4th 348 (2014), cert. denied, U.S. (2014). See also *Sakkab v. Luxottica Retail N. Am., Inc.*, 803 F.3d 425 (9th Cir. 2015).

There are numerous other provisions in the Labor Code that permit concerted action. See, e.g., *Sonic-Calabasas A, Inc. v. Moreno*, 57 Cal.4th 1109 (2013), cert. denied, 134 S.Ct. 2724 (2014) (arbitration policy cannot categorically prohibit a worker from taking claims to Labor Commissioner, although state law is also preempted from categorically allowing all claims to proceed before the Labor Commissioner in the face of an arbitration policy).

The FUAP would interfere with the substantive right of the California Labor Commissioner to enforce the wage provisions of the Labor Code. See, e.g., Cal. Lab. Code § 217.

There are, additionally, various provisions in the California Labor Code that allow only the Labor Commissioner to award penalties or grant other relief. The enforcement of the FUAP would prevent employees from collectively going to the Labor Commissioner seeking these penalties for themselves or other employees. It would foreclose an employee from asking the

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Labor Commissioner to seek remedies for a group of employees. See, e.g., Cal. Lab. Code § 210(b) (allowing only the Labor Commissioner to impose specified penalties); Cal. Lab. Code § 218 (authority of district attorney to bring action); Cal. Lab. Code § 225.5(b) (penalty recovered by Labor Commissioner). IWC Order 16, Section 18(A)(3), available at https://www.dir.ca.gov/iwc/IWCArticle16.pdf. Employees could not collectively seek enforcement of these remedies because the FUAP prohibits them from bringing claims collectively to that agency.

The recently enacted sick pay law may only be enforceable by the Labor Commissioner. See Cal. Lab. Code § 245 (effective July 1, 2015). The FUAP would foreclose enforcement of this new law. Individuals or groups of individuals do not have the right to enforce the law in court or before an arbitrator. For purposes of this case, it would foreclose concerted enforcement of the new law since the arbitration process would not be authorized to enforce a law given exclusively to the Labor Commissioner. It would prevent other public officers from enforcing state law for a class or group upon complaint by employees. Cal. Bus. & Prof. Code § 17204.

Additionally, under state law, there are a number of whistleblower statutes just as there are under federal law. The FUAP would prohibit employees from invoking those statutes for relief that would affect them as well as others. The Labor Commissioner lists thirty-three separate statutes that contain anti-retaliation procedures. See http://www.dir.ca.gov/dlse/FilingADiscriminationComplaint1.pdf.

California has strong statutory protection for whistleblowers. See Cal. Lab. Code § 1101 and 1102. The FUAP defeats the purposes of those statutes that allow groups to bring claims forward to vindicate the public purpose animating those provisions.

Just as the California Supreme Court held in Iskanian, there are important public purposes animating these statutes that allow employees to seek assistance from either state agencies or the court system. To prevent employees from seeking relief for other employees in the workplace would effectively deprive them of substantive rights guaranteed by state law. The FAA does not preempt such state laws. See Iskanian, supra.

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The Board must address the question of the application of Iskanian and similar doctrines. The FUAP is invalid because it prohibits the exercise of this important state law right, which serves an important public purpose. Once again, the burden is on the employer to prove that the FUAP does not interfere with other non-preempted state law.

VII. THE FUAP UNLAWFULLY PROHIBITS GROUP CLAIMS THAT ARE NOT A CLASS ACTION OR A REPRESENTATIVE ACTION OR AS A PRIVATE ATTORNEY GENERAL OR AS A REPRESENTATIVE OF OTHERS OR OTHER PROCEDURAL DEVICES AVAILABLE IN COURT OR OTHER FORA

The cases focus on the rights of employees to use collective procedures in courts and other adjudicatory fora. Here, we make the point that employees have the right to bring their collective disputes together as a group. Or a group or individual can represent others to bring a group complaint. The FUAP prohibits such group claims or consolidation.[2] It expressly prohibits a "class action, or representative action, acting as a private attorney general or representative of others, or otherwise consolidating a covered claim with the claim of others." Presumably, it includes collective actions since this is a form of consolidating claims.

This is an essential point here. It responds to the repeated dissents of Member Miscimarra and former Member Johnson. This point responds to arguments likely to be made by the employer. These are claims brought by two or more employees. There is no need to invoke class action, collective action or any procedural form of collective actions. It is just two or more employees bringing the same claim and assisting each other. Alternatively, it can be two or more employees bringing a complaint that would require the participation of other employees and would affect them. The Board needs to make it clear that such group claims stand apart from class actions, collective actions, and representative actions that invoke court adopted procedures.

[2] As to this theory, the Board does not have to address the argument made in those dissents that employees do not have the right to invoke the formalized procedures available in court such as class actions or collective actions.

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VIII. THE FUAP IS INVALID AND INTERFERES WITH SECTION 7 RIGHTS TO RESOLVE DISPUTES BY CONCERTED ACTIVITY OF BOYCOTTS, BANNERS, STRIKES, WALKOUTS, INTERMITTENT STRIKES, QUICKIE STRIKES, LAWFUL FORMS OF SABOTAGE AND OTHER ACTIVITIES

The FUAP is invalid because it makes it clear that the employees are limited to the arbitration procedure to resolve disputes. It applies "in the event employment disputes arise," not just to disputes that could be brought in a court or before any agency. It governs "employment disputes." This would foreclose the employees from engaging in strikes or boycotting activity, expressive activity or other public pressure campaigns. This is a yellow dog contract. Here, employees are forced to agree that they shall use only the arbitration procedure to resolve disputes with the employer, and thus they would be violating the arbitration procedure if they were to use another more effective forum, such as a public protest or a strike. It prohibits all forms of concerted activity because it requires that employees use the arbitration procedure. Any employee who violates this rule would be subject to discipline just as he/she would be for violating any other employer rule. This is a fundamentally illegal forced waiver of the Section 7 right to engage in lawful economic activity, including boycotting, picketing, striking, leafleting, bannering and other expressive activity. That language is contained in the FUAP.[3]

That concerted activity could certainly include seeking a Union's assistance in negotiating a better arbitration provision or in invoking the FUAP. Fundamentally, it also would make it unlawful to engage in Union activities such as a strike, picketing, bannering or other concerted activity. The Board's recognition that the FUAP is an unlawful yellow dog contract under the Norris-LaGuardia Act, reaffirms that point but does not go far enough. If the FUAP is unlawful under the Norris-LaGuardia Act and Section 7, it is unlawful because it prohibits other concerted means of resolving disputes. Employees are not limited to bringing claims concertedly before courts or agencies.[4] They can do so by direct action.[5]

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[3] Nothing in the FUAP assures employees they will not be disciplined for invoking other methods of resolving disputes.

[4] Surely, every employer would rather force employees to resolve disputes in the least friendly fora: the courts and arbitration. The Norris-LaGuardia Act and the NLRA protect the right of employees to settle disputes in the most effective manner: collective action in the streets. See *On Assignment Staffing Servs.*, 362 NLRB No. 189 (2015).

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The FUAP is an unlawfully imposed no-strike, no boycott, no bannering, no leafleting and no concerted activity ban. It is the worst form of a yellow dog contract. It violates the Norris-LaGuardia Act. It violates Labor 923.

IX. THE FUAP UNLAWFULLY PROHIBITS CONSOLIDATING

This FUAP has the specific reference to prohibiting "consolidating." This undefined ambiguous term would prohibit even one employee from acting jointly with another employee to help each other bring individual claims. It would prohibit them from referring to other claims or invoking the doctrine of *res judicata* or *collateral estoppel*. To the extent it is ambiguous, it must be construed against the employer.

X. THE FUAP UNLAWFULLY PROHIBITS ONE EMPLOYEES FROM REPRESENTING ANOTHER OR OTHER EMPLOYEES

The FUAP prohibits one employee from acting as the "representative of others." If the employee is a union representative, this is unlawful. If the employee is an attorney, this is unlawful. In arbitration one person who is not an employee can represent another. This would prohibit such concerted action. This is unlawful in administrative hearings where a non-lawyer can represent others. It would prohibit an employee from filing an NLRB charge for someone else.

XI. THE FUAP IS UNLAWFUL BECAUSE IT WOULD PROHIBIT SALTING AND APPLIES AFTER EMPLOYMENT ENDS

The FUAP would extend to someone who became employed for the purpose of salting, improving working conditions and organizing since it would restrict his/her right to engage in concerted activity and organize. It would prohibit the salt from assisting other employees in pursuing collective claims. Moreover, the FUAP purports to govern even after an employee quits or is fired. If the employee chooses to quit because of miserable working conditions or to organize, she is barred from acting collectively. Respondent cannot bar an employee who has

[5] See below where we address the need to overrule *Lutheran Heritage-Village Livonia*, 343 NLRB 646 (2004). Under current Board law, however, this ambiguity should be construed against the employer. See *Murphy Oil, supra*, at *26 and other cases cited below.

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terminated any employment agreement from acting collectively on behalf of either current employees or other former employees.[6]

XII. THE FUAP IS UNLAWFUL AND INTERFERES WITH SECTION 7 RIGHTS BECAUSE IT FORECLOSES GROUP CLAIMS BROUGHT BY A UNION AS A REPRESENTATIVE OF AN EMPLOYEE OR EMPLOYEES

The FUAP prohibits a union that represents an unrepresented employee from representing that employee in the arbitration procedure. That is, it would prohibit a union from acting on behalf of an employee, not as the collective representative of the group, but rather as the representative of the individual employee. It would also prevent a union from acting as the minority representative or members-only representative of an employee or group of employees. Such activity is protected. It would prevent a union from acting on behalf of a group of employees.

The FUAP prohibits a union that is recognized or certified from representing employees.

The FUAP would prevent a union, as the representative of its members, or non-labor organization worker center from representing its members where authorized under state or federal law. See *Soc. Servs. Union, Local 535 v. Santa Clara Cty*., 609 F.2d 944 (9th Cir. 1979) (Union may act as representative of its members in class action); *United Food & Commercial Workers Union Local 751 v. Brown Group., Inc*., 517 U.S. 544 (1996) (union has associational standing on behalf of its members); *Int'l Molders' & Allied Workers' Local Union No. 164 v. Nelson*, 102 F.R.D. 457 (N.D. Cal. 1983); *Int'l Union, United Auto., Aerospace & Agr. Implement Workers of Am. v. Brock*, 477 U.S. 274 (1986).[7] See *Bhd. of Teamsters v Unemployment Insurance Appeals Bd.,* 190 Cal.App.3d 1517 (1987) (California law allows union to have standing on behalf of its members).[8]

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[6] California prohibits non-compete clauses. This would conflict with such provisions.

[7] It would prohibit an employee from joining a non-labor organization that brought litigation against the employer on issues affecting working conditions. An employee could not join a worker center, for example, that brought claims by other employees.

[8] The California Labor Code expressly allows representatives such as unions to raise claims. See Labor Code Section 1198.5(b)(1). It would foreclose a union from bringing a claim as a person under any federal statute or state statute that allows any person to bring a charge or complaint before an agency.

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XIII. THE FUAP IS UNLAWFUL BECAUSE IT IMPOSES ADDITIONAL COSTS ON EMPLOYEES TO BRING EMPLOYMENT RELATED DISPUTES

This FUAP contains a fundamental flaw in that it would require an employee to pay some arbitration costs. Although the FUAP says the employer will pay the cost of the arbitrator, it does not say it will pay the costs of initiating the arbitration. Thus, it necessarily increases the costs of employees who bring claims concerning working conditions. This is particularly a flaw in California, where the Berman Hearing process is free to an employee. Thus, if one employee sought to bring an issue to the Labor Commissioner on behalf of others, that employee would incur no costs. The same claim brought in arbitration would incur the arbitration costs of at least the arbitrator and other associated costs. See Labor Code § 98. In effect, a penalty is imposed on the employee because he or she has to pay the arbitration costs where there is a free procedure under the Labor Commissioner system under Labor Code § 98. The Act does not permit an employer to force employees to pay anything, not one cent, to exercise their Section 7 rights. Because employees can bring concerted claims without cost to the Labor Commissioner, the FUAP is unlawful.

Furthermore, employees cannot share expert witness fees, deposition costs, copying costs, attorney's fees and many other costs associated with bringing and pursuing claims. Bringing them as a group includes sharing those costs. Sharing costs is concerted activity. Thus, the FUAP expressly penalizes workers by increasing their costs in violation of Section 7.

The FUAP would prevent a federally recognized Joint Labor Management Committee from pursuing claims. See 29 U.S.C. § 175a.[9]

On all these grounds, the FUAP is unlawful.

XIV. THE FUAP IS UNLAWFUL BECAUSE IT WOULD PROHIBIT AN EMPLOYEE OF ANOTHER EMPLOYER FROM ASSISTING A MONTECITO EMPLOYEE OR JOINING WITH A MONTECITO EMPLOYEE TO BRING A CLAIM

Separately, an employee of any other employer is also an employee within the meaning of the Act. *Eastex v. NLRB*, 437 U.S. 556 (1978). Such other employee could assist an employee of

[9] It is not contradictory to refer to the rights under federal statutes and raise the question of commerce jurisdiction with respect to the FAA. The difference is that the FAA regulates dispute resolution or the employment dispute, not the business or commerce activity of the employer

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Montecito or join with a claim brought by a Montecito employee. The rights of all other employees of other employers are violated by the FUAP independently of whether it violates just the Section 7 rights of Montecito employees. The FUAP cannot apply to an employee of another employer, nor can it prohibit a Montecito employee from joining with an employee of another employer.

Furthermore, it would prohibit employees of Montecito from bringing group complaints with employees of "owners. directors, officers, managers, employees, agents, and parties affiliated with its employee benefit and health plans," as described in the FUAP even though those other persons are not parties to the FUAP.[10]

XV. THE FUAP IS UNLAWFUL AND INTERFERES WITH SECTION 7 RIGHTS BECAUSE IT APPLIES TO PARTIES WHO ARE NOT THE EMPLOYER BUT MAY BE AGENTS OF THE EMPLOYER OR EMPLOYERS OF OTHER EMPLOYEES UNDER THE ACT

The FUAP is invalid because it applies to other employers. The FUAP extends to disputes with the Company and "any of its respective employees or officers." None of them is bound to arbitrate claims against the employee except the Company itself. It does not bind its "owners, directors, officers, managers, employees, agents and parties affiliated with its employee benefit and health plans" and so on. Each of these persons could be an employer or joint employer within the meaning of the Act. Yet, the employee is bound to arbitrate claims against those individuals where those claims arise out of wages, hours and working conditions to the extent they are the employer.

There are many wage and hour statutes, including the Fair Labor Standards Act, the California Fair Employment and Housing Act and provisions of the Labor Code that can impose joint liability.[11] Thus, the FUAP prohibits Section 7 activity against parties who are not the employer and thus is overbroad and invalid. This would affect the employees' right to bring

[10] It is not "mutual" and is invalid for this reason.

[11] In addition, this effort to limit claims against benefit plans is prohibited by ERISA, 29 U.S.C. § 1140, since it interferes with the rights of employees to bring claims against benefit plans.

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claims against joint employer relationships. See *Browning-Ferris Indus.*, 362 NLRB No. 186 (2015).

Moreover, there is no contract between any employee and these third parties. So the FAA cannot apply. The FUAP cannot apply to non-parties to any agreement with the employees. *First Options v. Kaplan*, 514 U.S. 938 (1995).

XVI. THE FUAP VIOLATES ERISA

The FUAP violates ERISA. Because it extends to benefit plans, it runs contrary to the Department of Labor regulation prohibiting mandatory arbitration. See 29 C.F.R. § 2560.503-1(c)(4); see *Snyder v. Fed. Insurance Co.*, 2009 WL 700708 (S.D. Ohio 2009) (denying arbitration relying on the DOL regulation). We recognize that a plan may require exhaustion of its remedies including arbitration, but that's only a function of exhausting the plan arbitration clause prior to bring a court action. See *Chappell v. Laboratory Corporation America*, 232 F.3d 719 (2000); see also *Engleson v. Unum Life Ins. Co.*, 723 F.3d 611 (6th Cir. 2003); see also 29 U.S.C. § 1133.

Additionally, this language violates the right of employees to invoke procedures under the employee benefit plans, rather than under this FUAP.[12] The language on page 2 excluding claims brought under "a team member benefit plan" does not exclude any benefit that is not expressly subject to arbitration. The burden is on Respondent to show all such claims would be subject to such a procedure. ERISA requires that there be an arbitration procedure to bring claims against benefit plans. This effectively preempts ERISA by requiring employees to use this procedure rather than the procedure adopted by the benefit plans. See 29 U.S.C. § 1133.

XVII. THE FUAP IS UNLAWFUL AND INTERFERES WITH SECTION 7 RIGHTS BECAUSE IT RESTRICTS THE RIGHT OF WORKERS TO ACT TOGETHER TO DEFEND CLAIMS BY THE EMPLOYER AGAINST THEM

Employees have the right to band together to defend against claims made by the Employer or other employees. Although an employee might choose to refrain from concerted activity

[12] Respondent, by imposing this arbitration requirement, has become the administrator of the plans and a fiduciary to the plans.

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against the employer, that employee may wish to engage in joint activity where there are joint or related claims against several employees.

The FUAP imposes a very heavy burden on employees who may be jointly the subject of a claim by the company against them. Under the FUAP, they could not jointly defend themselves but would have to defend themselves individually in separate actions. The employer may have claims against multiple employees, such as overpayments for wages or breach of confidentiality provisions. There may be cross-claims, counter-claims, interpleader or claims for indemnification. There may be claims for declaratory relief against the employer or other employees. The employees are entitled to defend such claims or pursue such claims jointly and concertedly.[13] The FUAP is facially invalid since it prohibits group action to defend against claims jointly.[14]

XVIII. THE FUAP IS UNLAWFUL UNDER THE NORRIS-LAGUARDIA ACT

The Norris–LaGuardia Act, 29 U.S.C. § 101, et seq., states that, as a matter of public policy, employees "shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of . . . representatives [of their own choosing] or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection." 29 U.S.C. § 102. The Act declares that any "undertaking or promise in conflict with the public policy declared in section 102 . . . shall not be enforceable in any court of the United States." 29 U.S.C. § 103. The FUAP plainly interferes with the rights guaranteed by this federal law. The FAA does not eliminate the rights guaranteed by the Norris-LaGuardia Act. This argument is fully explored in the law review article written by Professor Matthew Finkin, "The Meaning and Contemporary Vitality of the Norris-LaGuardia Act," 93 Neb L. Rev 1 (2014). He forcefully argues that an agreement to waive collective actions is a quintessential

[13] The FUAP specifically prohibits "consolidating a covered claim with the claims of others." Joint Exhibit # 2 at page 1. This would be a useful procedure for employees to concertedly defend claims brought against them by the employer.

[14] For example, employees would have to hire lawyers who would cost more for individual representation. Employees could not share the costs of expert witnesses, document production, depositions, etc. The simple fact that individual actions increase the costs on the workers makes it a penalty and violates Section 7.

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yellow dog contract prohibited by the Norris-LaGuardia Act. We repeat this here to reinforce our arguments. See On Assignment Staffing, supra.

XIX. THE RELIGIOUS FREEDOM RESTORATION ACT EXTENDS TO THE CORE RELIGIOUS ACTIVITY OF HELPING OTHER WORKERS, AND THE FAA, NLRA AND NORRIS-LAGUARDIA ACT HAVE TO BE APPLIED TO PROTECT THIS RELIGIOUS RIGHT

A. THE RELIGIOUS FREEDOM RESTORATION ACT EXTENDS TO THE CORE RELIGIOUS ACTIVITY OF HELPING OTHER WORKERS, AND THE FAA, NLRA AND NORRIS-LAGUARDIA ACT HAVE TO BE APPLIED TO PROTECT THIS RELIGIOUS RIGHT

Section 7 protects the right of employees to engage in concerted protected activity which extends to asking for help in work place issues from other employees. *Fresh & Easy Neighborhood Market, Inc.*, 361 NLRB No. 12. (2014). Such concerted activity is a central principle of religion. Protected concerted activity for mutual aid and protection is core religious activity.

In 1993, Congress enacted the RFRA. 42 U.S.C. §§ 2000bb–2000bb-4. It was enacted in response to a Supreme Court decision, *Employment Division v. Smith*, 494 U.S. 872 (1990), which many saw as restricting the exercise of religion.

The Act in relevant part provides:

> (a) In general
>
> Government shall not substantially burden a person's exercise of religion even if the burden results from a rule of general applicability, except as provided in subsection (b) of this section.
>
> (b) Exception
>
> Government may substantially burden a person's exercise of religion only if it demonstrates that application of the burden to the person--
>
> (1) is in furtherance of a compelling governmental interest; and
>
> (2) is the least restrictive means of furthering that compelling governmental interest.

42 U.S.C. § 2000bb-1.

The RFRA came boldly to the attention of the public in *Burwell v. Hobby Lobby Stores, Inc.*, 134 S.Ct. 2751 (2014). Moreover, the Court noted:

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> Even if we were to reach this argument, we would find it unpersuasive. As an initial matter, it entirely ignores the fact that the Hahns and Greens [owners of Hobby Lobby] and their companies have religious reasons for providing health-insurance coverage for their employees. Before the advent of ACA, they were not legally compelled to provide insurance, but they nevertheless did so – in part, no doubt, for conventional business reasons, but also in part because their religious beliefs govern their relations with their employees.

Id. at 2776.

The Supreme Court in *Burwell* held that the application of a portion of the Affordable Care Act imposes substantial burden on the religious beliefs of the owners of Hobby Lobby. It did so because there was a regulation requiring that contraceptives be provided over the religious objections of the owners. The Court held that this "contraceptive mandate imposes a substantial burden on the exercise of religion … ." *Burwell*, 134 S.Ct. at 2779.

The Court then went on to state:

> The Religious Freedom Restoration Act of 1993 (RFRA) prohibits the "Government [from] substantially burden[ing] a person's exercise of religion even if the burden results from a rule of general applicability" unless the Government "demonstrates that application of the burden to the person—(1) is in furtherance of a compelling governmental interest; and (2) is the least restrictive means of furthering that compelling governmental interest."

Id. at 2754.

To the extent that the FAA enforces a prohibition against collective activity, it not only burdens but prohibits such collective activity, which is a core religious activity. Here, there is clear tension: the right to help the fellow worker protected by the NLRA and the Norris LaGuardia Act against the limitation imposed by the FAA. The RFRA teaches that the FAA must give way to the religious right to help fellow workers.

Nor is there any governmental interest. The NLRA and Norris-LaGuardia Act defeat the argument that there is any governmental interest in forbidding or burdening group action because they serve to protect such activity.

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Finally, the application of the FAA does not reflect a "least restrictive" means of accomplishing any compelling governmental interest in preserving and protecting arbitration in general.

The least-restrictive-means standard is exceptionally demanding, and it is not satisfied here. HHS has not shown that it lacks other means of achieving its desired goal without imposing a substantial burden on the exercise of religion by the objecting parties in these cases. See §§ 2000bb–1(a), (b) (requiring the Government to "demonstrat[e] that application of [a substantial] burden to *the person* … is the least restrictive means of furthering [a] compelling governmental interest").

Burwell, 134 S.Ct. at 2780 (alteration in original) (citation omitted).

The FAA could easily be applied to contracts in commercial regimes but not in application to concerted claims in arbitration by employees governed by the NLRA. Carving out this exception, which is limited, would be the "least restrictive" means of achieving the goals of the FAA without interfering with the religious rights of employees. Thus, the FAA would apply in the *AT&T Mobility LLC v. Concepcion*, 563 U.S. 333 (2011), context because no employee religious rights were at issue.

The question then is whether, when workers get together to benefit themselves in the workplace, is this a religious exercise? That question is easily answered in the affirmative.

Religions are replete with references to the workplace. The religious exercise to help fellow workers is a fundamental tenet of every religion. Whether we use the phrase "brotherly love" or otherwise, every religion encourages workers to help each other to make themselves and the workplace better.[15] The central religious act of helping other workers is a core principle of Christianity.

[15] This is just a religious version of the solidarity principle explained by the Board in *Fresh & Easy Neighborhood Market, Inc.*, 361 NLRB No. 12. This is the application of the most fundamental religious principle: the Golden Rule. *See* Wikipedia, *Golden Rule, at* https://en.wikipedia.org/wiki/Golden_Rule. If some fellow employees ask for help regarding a workplace issue, the other employee should help the first.

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Hobby Lobby brought its lawsuit to challenge a portion of the Affordable Care Act because it claimed that statute burdened its religious exercise. The Court found, against the government's arguments, that the Affordable Care Act imposed a substantial burden on religious activity and found that the government could not establish that it imposed the least restrictive means of establishing any governmental interest.

There are three federal laws at issue:

- The National Labor Relations Act
- The Norris-LaGuardia Act
- The FAA

The RFRA applies to supersede any governmental restriction on the free exercise of such religious activity. To the extent that those laws are interpreted in any way to burden the religious exercise of helping fellow workers, the RFRA requires that super strict scrutiny be applied.

Here, the NLRA governs the right of employees to engage in concerted activities. It is nothing more than workers getting together to help themselves and their families. Thus, there is nothing inconsistent with the application of Section 7, and any limitation on the scope of Section 7 would be contrary to the religious views of those who want to help fellow workers. [16]

There is no doubt that the FAA, if applied to foreclose concerted activity, would substantially burden the exercise of religion by those employees who wanted to work together to help their brothers and sisters in the workplace. It would also burden those employees of other employers.

The burden shifts at that point under the RFRA for the government to establish that that substantial burden "is in the furtherance of compelling government interest." Here, there is no governmental interest. The government can simply allow, consistent with the government interest of the National Labor Relations Act and the Norris-LaGuardia Act, employees to present their claims concertedly in some forum. Nothing in this case requires that that forum be

[16] *See* Michael A. Helfand, *Arbitration's Counter-Narrative: The Religious Arbitration Paradigm*, 124 Yale L.J. 2994, 3014 (2015) ("The paradigmatic example of this counter-narrative is religious arbitration … .").

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arbitration. That forum can be arbitration or in court. This is the central thrust of *Murphy Oil USA, Inc.* What an employer cannot do, consistent with the NLRA, the Norris-LaGuardia Act and the RFRA, is entirely foreclose workers working together to make their workplace a better circumstance.

The religious exemption principles that we derive from the RFRA are already in place and have been long recognized for those who have some religious objection to joining or supporting a union. *See* 29 U.S.C. § 159. There are some religions that have the basic tenet that adherents should not join or support unions. Title 7 also recognizes that an accommodation is sometimes necessary. *See EEOC v. Univ. of Detroit*, 904 F.2d 331 (6th Cir. 1990) (holding that because employee's religious objection was to union itself, reasonable accommodation was required, allowing him to make charitable donation equivalent to amount of union dues, instead of paying dues). *Reed v. Int'l Union, United Auto., Aerospace & Agr. Implement Workers*, 569 F.3d 576, 577 (6th Cir. 2009). Religious principles often govern and require an accommodation. *EEOC v. Abercrombie & Fitch Stores, Inc.*, 135 S.Ct. 2028 (2015).

The NLRB has expressly recognized that the RFRA does apply to the NLRA. *Carroll Coll., Inc.*, 345 NLRB 254, 257 (2005) (finding compelling governmental interest in ordering employer to bargain to overcome RFRA argument), *bargaining order issued*, 350 NLRB No. 30 (2007), *and enforcement denied*, 558 F.3d 568 (D.C. Cir. 2009) (holding that constitutional doctrine prohibits Board's assertion of jurisdiction). *See* David B. Schwartz, *The NLRA's Religious Exemption in A Post-Hobby Lobby World: Current Status, Future Difficulties, and A Proposed Solution*, 30 ABA J. Lab. & Emp. L. 227 (2015), and Charlotte Garden, *Religious Employers and Labor Law: Bargaining in Good Faith?*, 96 B.U. L. Rev. 109 (2016). *Carroll Coll, supra* establishes that the RFRA does apply to the NLRA. However, no case deals with Section 7 rights of employees.

For these reasons discussed above, the RFRA applies, and the FAA cannot be applied to interfere with the religious right of employees to help other employees by prohibiting employees from jointly working together to improve the workplace and to help fellow workers with respect

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to wages, hours and working conditions.[17] The ALJ improperly rejected the application of the RFRA and improperly rejected the Charging Party's effort to put on evidence supporting this claim.

XX. THE FACT THAT EMPLOYEES HAVE NEVER ASSERTED THEIR RIGHT TIO ENGAGE IN CONCERTED ACTIVITY, PROVES THE EFFECTIVENESS OF THE POLICY

Montecito claims that no employees never sought to file a class or group grievance. The reason for that is obvious. It is clear to employees that they can't do that. In fact, if they attempt to do that, it will be a violation of company policy and subject them to discipline. That's of course the reason why the charging Party sought to make an adequate record to prove that the employer disciplines employees for violations of company policies.

The ALJ correctly held moreover that the policy limits employee's rights to file labor board charges. The employer points to language at the bottom of page 3 of the policy which appears top allow "any employee" to file a charge with the Labor Board. That language is inadequate for three reasons.

First, it refers to "any employee." Thus precluding two or more employees from filing charges or a joint charge with the Labor Board.

Second, employees can't understand from that language, exactly what is contained within the alleged exception. They are not lawyers. If this is an exception to the otherwise overbroad policy, this language doesn't explain to them, what is contained within the exception. Finally, it would preclude an employee from filing a Petition for Review under 29 U.S.C. § 160 (e). Because it precludes "relief", employees cannot challenge the Board decision… The language is unlawful.

The employer has effectively terrorized the employees. The employer is correct that there is no evidence that the employee or any employee sought to file any group or class claim. The unlawful policy has had its intended affect.

[17] The Court must address the application of the RFRA because it contains a statutory fee requirement. The Committee is entitled to its fees if it prevails on this ground.

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This is exactly what happens when employers have an unlawful no solicitation policy, unlawful no distribution policies and other unlawful policies. They work and effectively sabotage employee rights.

XXI. CONCLUSION

For the reasons suggested above, the exceptions filed by the employer should be rejected. The cross exceptions filed by the Charging Party should be granted.

Dated: January 31, 2017

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PROOF OF SERVICE

I am a citizen of the United States and resident of the State of California. I am employed in the County of Alameda, State of California, in the office of a member of the bar of this Court, at whose direction the service was made. I am over the age of eighteen years and not a party to the within action.

On January 31, 2017, I served the following documents in the manner described below:

CHARGING PARTY'S ANSWER BRIEF TO RESPONDENT'S EXCEPTIONS TO THE DECISION OF THE ADMINISTRATIVE LAW JUDGE

☑ (BY ELECTRONIC SERVICE) By electronically mailing a true and correct copy through Weinberg, Roger & Rosenfeld's electronic mail system from kshaw@unioncounsel.net to the email addresses set forth below.

On the following part(ies) in this action:

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I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on January 31, 2017, at Alameda, California.

/s/ Katrina Shaw
Katrina Shaw

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